

DELAWARE HEALTH FACILITIES AUTHORITY

Minutes of Special Meeting

of

November 20, 2018

A Special Meeting of the Delaware Health Facilities Authority (the "Authority") was held after proper notice at 11:00 a.m., November 20, 2018, in the offices of Potter Anderson & Corroon LLP at 1313 N. Market Street, 6th Floor, Wilmington, Delaware.

Attending in person were Authority members (such individuals, the "Members"):

Rolf F. Eriksen (Chairman)
Desmond A. Baker
W. Jack Riddle
Howard A. Palley, Ph.D.
Lisa More

Also attending in person were:

Matthew J. O'Toole of Potter Anderson & Corroon LLP, counsel to the Authority
Alyssa L. Gerace of Potter Anderson & Corroon LLP, counsel to the Authority
Huston Firment of Potter Anderson & Corroon LLP, counsel to the Authority
Emilie Ninan of Ballard Spahr LLP, bond counsel to the Authority
Brian Carter of PFM Financial Advisors LLC
Lynne McElwee of Potter Anderson & Corroon LLP

The following individuals participated in the meeting via conference telephone call by means of which all participants in the meeting could hear each other:

Paul Pernice of Beebe Medical Center, Inc.
Rick Schaffner of Beebe Medical Center, Inc.
Jeffrey Fried of Beebe Medical Center, Inc.
Michael Davidson of Turner Law, P.C.
Chris Tucker of PNC Capital Markets LLC
Kevin Cunningham of Ballard Spahr LLP

There were no members of the public in attendance.

All documents referred to in these Minutes and not attached hereto are filed in the records of the Authority. Copies are available upon request.

Chairman Rolf F. Eriksen called the meeting to order at 11:05 a.m.

Consideration of Application for Revenue Bond Financing Submitted by Beebe Medical Center, Inc.

The meeting was opened with a discussion of the Application for Revenue Bond Financing, dated October 1, 2018 (as supplemented on October 18, 2018, the "Application"), submitted by Beebe Medical Center, Inc. ("Beebe"), requesting the Authority's issuance of bonds in an amount not to exceed \$180,000,000 to fund various projects. The Authority previously met on November 1, 2018 to consider the Application (the "November 1 Meeting"), but Beebe had not received Certificate of Public Review ("COPR") approval for all of its proposed projects at that time.

Mr. O'Toole confirmed that Beebe submitted documents indicating that the Delaware Health Resources Board (the "DHRB") granted COPR approval on November 19, 2018 for Beebe's proposed construction of a specialty surgical hospital in Rehoboth Beach, Delaware (the "Rehoboth Campus Project"). The Members were provided with written confirmation of the DHRB's approval, in addition to a report by the Review Committee of the DHRB relating to the Rehoboth Campus Project. Mr. O'Toole provided some observations about the Review Committee's report, including a discrepancy in the COPR application's cost estimate of the Rehoboth Campus Project and the cost estimate provided in the presentation to the Authority by Ponder & Co., financial advisor to Beebe, at the November 1 Meeting. Mr. O'Toole further noted that the Rehoboth Campus Project will include a small emergency room.

Ms. Ninan, Mr. Pernice, Mr. Schaffner and Mr. Fried answered questions from the Members, including in regard to the following matters:

In response to questions by the Members relating to the cost estimate discrepancy, Mr. Pernice noted that Beebe provided its cost estimates in the COPR application five months ago, and that the numbers presented in the Ponder & Co. presentation were up-to-date. He explained that the COPR application's cost estimate was higher because it included financing costs.

In response to a question by Mr. Riddle, Mr. Carter confirmed that PFM Financial Advisors LLC is comfortable with Beebe's proposed plan of financing, and stated that the cost estimate discrepancy has no material impact on the bond financing transaction.

Dr. Palley stated his desire for a narrative about Beebe's proposed arrangements with the emergency room doctors for its Rehoboth Campus Project, and particularly inquired about Beebe's contracts with its physicians. He further noted his concern about not-for-profit organizations benefiting from tax-exempt bond financing while potentially subsidizing for-profit enterprises. In response, Ms. Ninan noted that the Authority's bond counsel reviews each physician contract as part of its tax due diligence for purposes of providing its opinion letter in connection with the bond issuance.

Mr. Eriksen noted that he has asked Mr. O'Toole to modify the Authority's bond financing application to require the inclusion of copies of each hospital's Internal Revenue Service Form 990 dating back three years to provide the Members with more details about any tax-exempt

organizations applying for bond financing through the Authority, and proposed revisions to the application form, to address also Dr. Palley's concern about arrangements between not-for-profit hospitals and for-profit emergency room service providers, will be shared with the Authority members for review.

In response to a question by Mr. Riddle about a discrepancy in the square footage presented in the Review Committee's COPR report and the square footage reported in Ponder & Co.'s presentation, Mr. Schaffner explained that Beebe's project plans changed after submission of the COPR application to add shell space for the potential relocation of Beebe's obstetrics unit and accompanying infrastructure provisions.

In response to Dr. Palley's questions about health care needs in the State of Delaware, Mr. Fried highlighted certain portions of the Review Committee's COPR report discussing population need and the consideration of other resources in neighboring states.

Mr. O'Toole reminded Beebe that it would be helpful to the Authority if any discrepancies in the bond financing application and other materials were identified and explained in a timely way.

Mr. Riddle observed that the Review Committee's COPR report indicated need for Beebe's project, and further stated that the figures provided to the DHRB and to the Authority were not significantly different.

Mr. Eriksen indicated that the Authority would be disinclined to accept future bond financing applications that are incomplete at the time they are submitted or that fail to include all necessary COPR or other approvals or information. He further proposed the introduction of time limits in bond resolutions as to when the bonds are issued and sold in relation to when the bond resolution is adopted.

The Members next reviewed the minutes of the November 1 Meeting, including the exhibits attached thereto.

Mr. O'Toole then introduced the Members to resolutions and reviewed their components, including approval to issue bonds in an amount not to exceed \$180,000,000. The resolutions also approve the minutes of the November 1 Meeting and empower Mr. Baker to sign a certification of such minutes as Secretary of the Authority.

Upon motion duly made and seconded, the Members unanimously adopted the resolutions attached hereto as Exhibit A.

The Members recessed from 11:42 a.m. to 12:17 p.m. Thereafter, the Members turned to other Authority matters.

Other Business

Ms. Ninan noted that Beebe had recently disclosed past violations of certain covenants in existing bond documents relating to the transfer of assets to affiliates. She stated that PNC Bank, National Association, representing a majority of the current bondholders, has agreed to waive the violation as an event of default, and confirmed that no other consent or waiver is needed. She added that Beebe and a majority of the bondholders have agreed to change the covenants going forward.

The Members next reviewed two officer's certificates to be signed by Mr. Baker as Secretary of the Authority. Mr. O'Toole introduced an officer's certificate that was requested by the Attorney General relating to the surety bond obtained by the Authority. Mr. O'Toole next introduced an officer's certificate requested by Wells Fargo relating to Authority members' authorization to handle funds and sign checks of the Authority.

After discussion, upon motion duly made and seconded, the Members unanimously adopted the resolutions attached hereto as Exhibit B authorizing each such officer's certificate and authorizing and empowering Mr. Baker, as Secretary of the Authority, to execute, seal and deliver each such officer's certificate.

The Members next reviewed Cover & Rossiter's 2018 engagement letter and 2017 representation letter in connection with the Authority's audited financial statements prepared by Cover & Rossiter. Mr. O'Toole recommended that the Members approve the engagement letter and authorize Mr. Eriksen to execute and deliver the engagement letter as Chairman of the Authority. Mr. O'Toole noted substantive changes to the representation letter compared to prior representation letters, and recommended that the Members defer approval of the representation letter until further discussion with Cover & Rossiter.

After discussion, upon motion duly made and seconded, the Members unanimously adopted the resolutions attached hereto as Exhibit C approving Cover & Rossiter's 2018 engagement letter and authorizing and empowering Mr. Eriksen, as Chairman of the Authority, to execute and deliver such engagement letter.

Old Business

The Members next reviewed the resolutions of the Authority attached hereto as Exhibit D ratifying Mr. Eriksen's execution and delivery, as Chairman of the Authority, of PFM's engagement letter on November 1, 2018. Upon motion duly made and seconded, the Members unanimously adopted such written resolution.

Adjournment

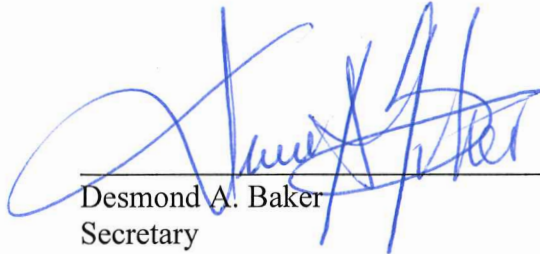
There being no further business, Mr. Eriksen adjourned the meeting at 12:45 p.m.

CERTIFICATION

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of Special Meeting of the Delaware Health Facilities Authority held on November 20, 2018.

Date:

12/12/18



Desmond A. Baker
Secretary